GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:124
ANSWERED ON:17.02.2009
BAN ON FDI IN TOBACCO SECTOR
Singh Shri Uday

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government proposes to ban FDI in tobacco sector;

(b) if so, the reasons therefor;

(c) whether global tobacco players are lobbying against Government's proposal to ban FDI as reported in the Business Standard dated 15 January, 2009; and

(d) if so, the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) to (d): As per extant policy,Foreign Direct Investment (FDI) up to 100% is allowed,with prior Government approval, in the manufacture of cigars and cigarettes of tobacco products, subject to industrial licence and conditions thereof under the Industries (Development & Regulation) Act, 1951. FDI policy for cigarettes is in the process of review through inter-ministerial consultations. India is a signatory to the Framework Convention on Tobacco Control. Further, no proposal for creation of new capacity or addition of capacity is being allowed in the tobacco sector. A proposal to prohibit FDI in the manufacture of cigarettes, where the manufacture is for domestic consumption, has, accordingly, been initiated by the Department of Industrial Policy & Promotion and is under consideration of the Government. Representations have been received in this regard from various companies.